

VISIT...

LANZAROTE
Caliente.COM

Engineering a profitable future



Barry Bester, the chairman of Topps Tiles, said recently, "I wish I had a sexy business. But we buy and sell tiles." If he thinks tiles are not "sexy enough", he should be grateful he doesn't work in an industry with perhaps the ultimate in prosaic titles: polymer packaging and converting.

It may not be glamorous or have a public profile, but plastic packaging is a big industry that touches all of our everyday lives, and Optimisation Limited, an engineering and sales business, wants a larger part of it.

Optimisation was set up in March 1999 three years after the company's founders, Steve Richardson and Helen Mitchell, pictured above, first met at Corona, a small subsidiary of a large multi-national packaging company. Mr Richardson was a plant manager with an engineering background and Ms Mitchell a sales executive.

Both Mr Richardson and Ms Mitchell always wanted to manage their own businesses but each feared they did not have the expertise and experience to succeed. After realising their skills complemented one another, they decided to team up and establish Optimisation.

The company's first break came in January 2000 when it won a contract from the Austrian company, Napiag, to sell their paper, polythene and foil products to wholesalers in Britain. Principally used to pack cooked chickens sold in supermarkets, Napiag products proved very successful and within a year, Optimisation's turnover had expanded dramatically.

Using the contacts made by selling Napiag's products, Optimisation established new sales lines and the engineering services part of its business.

Nowadays most of Optimisation's engineering work comes from the maintenance of bag-making equipment and blown film extrusion lines the company sells. The company's highly specialised engineering skills are in great demand but this has hindered growth in the more profitable sales side of the business.

"One of the key challenges we face is redressing the balance between engineering and sales. Although the engineering business is booming, margins are better on commissioned sales. The problem is that many of our engineering projects require so much administration work we have to take staff from sales to manage it," says Ms Mitchell.

An industry-wide skills shortage is also holding Optimisation back. The company would like to employ Mr Richardson, who is an engineering specialist, in a more strategic, management role, but his technical skills are required on the factory floor.

"We have a number of potential clients awaiting a visit from Mr Richardson to discuss new projects but he is tied up on existing orders because we are short of the necessary skills on the shop floor," says Ms Mitchell.

"Our problem with recruitment generally is getting the right combination of skills and experience. It is quite rare to find a qualified engineer with an understanding of polymer processing."

Staff retention and pay in a competitive recruitment environment is another problem. "Last year, we lost one of our best engineers to a rival company who offered him a better package. Being able to afford the salaries such skills demand is difficult for us."

Another of Optimisation's challenges is the accurate pricing of their engineering work, particularly for larger projects.

"Every project is the first and last. No single engineering contract is ever the same and on two- or three-month projects, cost can vary considerably. This makes it very difficult for us to price the work effectively." says Ms Mitchell.

"Longer engineering projects with variable costs also make cashflow management a full time occupation."

[Click here for the experts' verdicts:](#)

COMPLETE A STRATEGIC REVIEW

Les Clifford, Head of Ernst & Young's Entrepreneurial Growth Markets practice:

The issues of recruitment, cashflow and time management being faced by Optimation are all inter-related and should be addressed in totality. Optimation seems to be facing an evolving business model from one of a 50:50 sales and engineering services business to one that is focusing on engineering services.

The engineering services business is also split between larger and less profitable projects and smaller more profitable projects.

Optimation's management team needs to undertake a strategic review of the business that assesses where it is in respect of products, markets, competition, financial position, resource and skills.

Having undertaken this analysis, the management team needs to identify the barriers that will prevent them achieving their aims and what actions it may need to take to overcome them. These may include:

- Downsizing in the short term by giving up the commission sales business and focusing any freed up resource into the engineering business;
- Additional resource may be required in the engineering service business to enable Mr Richardson to be in the market to source more profitable short-term projects or to better scope and price the larger projects;
- Challenging whether the remuneration packages of the key employees (such as engineers) is sufficient to recruit and retain staff. This is not always basic pay but could be flexibility in hours worked, bonuses offered, profit related pay, and so forth;
- Aligning the cost base with expected income streams: are the owners willing to incur short term costs to grow the business in the medium- to long-term?
- Does the customer cash payment profile for larger assignments match your own cash outflow to ensure that working capital is being managed effectively?
- Is the human resource within the business focused on playing to its strengths and where they can add most value to the business?

One of the key parts of any business strategy is deciding "what are you not going to do?", as well as "what you are going to do?" Optimation needs to decide on its focus over the next two to three years.

CREATE A MARKETING PLAN

Annabel Pritchard, Corporate Affairs Manager, Chartered Institute of Marketing

The first thing Optimation needs to do is analyse the services and products it provides – linking how these contribute to both revenue and profit. Research shows that many companies invest great sums of money in

services that don't ever impact on the bottom line.

Once Optimation has this analysis, it can begin to focus more on its marketing. It is always effective to go back to first principles in cases like this – Optimation needs to work out who its products and services are for, and what need they fulfil for this group of clients. If unsure, some "quick and dirty" research could be carried out with clients where a good relationship exists.

A marketing programme can then be planned around the benefits that Optimation can bring over and above its competitors. The case study says that Optimation has a more extensive range and better expertise than competitors. These are both excellent hooks upon which to hang marketing messages.

Optimation not only needs to devise a plan around marketing products and services, but also around building the brand image as an employer. As Optimation cannot win staff on salary terms, Mr Richardson and Ms Mithchell should look at what else the company has to offer prospective employees.

This may be something like excellent training or an enhanced benefits package. A conversation with employees may shed some light on why they work for the company. Any recruitment advertisements should then focus on these benefits. If the salary is not a high one, then don't advertise on the strength of it. Local publications may be good outlets for recruitment advertising, but Optimation should also consider other potential outlets.

Are there local engineering trade publications that could be used? Or websites that an engineering specialist might visit? Word of mouth could also be useful – Optimation's own staff might have useful industry contacts that can be tapped.

The main message here is to find out where Optimation has unique strengths – and to use these strengths to market the business.

INCREASING SALES

Jeff Downs, Director, quantum-sales.com

It is unlikely that a company will achieve its sales aims unless sales activity is planned, executed and followed up. It needs breaking down in terms of: quantity, direction and quality.

Quantity

By analysing conversion ratios and average order values, Optimation should be able to "backward plan" the number of proposals/bids required and the number of sales visits/telephone calls needed. They should also calculate the number of leads needed, how they are to be generated and who is responsible for producing them. Ms Mittchell should then plan for the required time on the telephone to gain appointments. It is always worthwhile to check the plan against the time available. Is the plan achievable? If not, what needs to be changed or improved?

Direction

Optimation should plan the mix of sales visits/telephone calls in relation to new equipment sales and engineering services. It may help if they draw up a profile of likely prospects and apply a scoring system to weight each prospect and prioritise. They should ensure that key account plans are in place to pursue new equipment opportunities with existing customers. A clear action plan for managing the decision making process will help.

Quality

Measuring historical conversion ratios at each stage of the sale is also useful. This can be used to plan for improvements in specific areas. Ms Mitchell should also try to define Optimisation's value propositions: why should a customer buy new equipment and why should they buy it from Optimisation? What are the company's unique sales points - USPs - and where are Optimisation's biggest strengths? Ms Mitchell should make sure that the sales team is able to communicate these strengths to customers.

Using relevant "proofs" such as testimonials, case histories and brochures will help substantiate Optimisation's offering. They will also help avoid customer scepticism and hesitancy.

RECRUITMENT AND RETENTION

Karen Weech, Director of BSBI

Optimisation should consider reviewing their recruitment advertising strategy. Does it describe exactly what the company is looking for? It could be beneficial to review competitors' recruitment adverts – is there an initial reason they may be attracting more candidates? Perhaps they are positioning the post better.

When considering various advertising approaches, a more generic advertising strategy rather than a highly targeted one could be used. Such a campaign enables a company to canvas many areas of interest, allowing a far greater pool of potential employees. The alternative is a more targeted approach. Although this carries slightly greater risk in terms of being more niche it also carries the benefits of being more specified to the company's exact requirements.

Both approaches have their own benefits – Optimisation must decide their own recruitment strategy having weighed up both options and the funds available.

The alternatives to these approaches are to investigate better utilising Google and equivalent search engines, for example investing in AdWords, Google's advertising product. This may prove fruitful as potential employees are likely to do a Google search when researching opportunities in your sector.

Word of mouth is another cheap alternative to conventional recruitment advertising. Not only could you ask your staff but also other contacts you may know in the industry. This way, the focus would be purely on those who matched the skills for the job. This approach could also involve looking at generating interest from people currently studying at college or university.

Attending recruitment fairs, offering placements, work experience and offering scholarships are all excellent ways of getting people into your company from the start therefore generating a greater retention and reducing staff turnover in the long term.

For further support and advice in all areas of running a business, visit bsbi.co.uk.

All advice offered here is of a general nature and is intended for guidance only. It is offered without any legal responsibility. You should always consult your own professional advisers on the specific requirements of your business.